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REMARKS OF JOHN N. McMAHON

DEPUTY DIRECTOR OF CENTRAL INTELLIGENCE

before

THE ORDER OF THE WHITE JACKET

COLLEGE OF WILLIAM AND MARY

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DEPUTY DIRECTOR JOHN N. McMAHON: Thank you, John. President Grace, President Howard Smith of the Order of the White Jacket, officers of the Order of the White Jacket and their lovely spouses and friends that were kind enough to share the table with me this evening, and to all of you, I want to express my personal awe at what the Order of the White Jacket really does. I think it's a tremendous organization. It's one that I hope is contagious throughout the United States. And all of you should be very proud for being members of this organization and having the imagination and the innovation to do something like this.

I thank you for sharing your birthday with me.

I would like to say a few things about intelligence. Intelligence certainly is worthy of the tradition that you people are fortunate enough to experience here in Colonial Williamsburg; not only in Colonial Williamsburg, but also in the College of William and Mary. I think it was President Lowell of Harvard once one asked "What makes the university great?" He said "Three hundred years."

I think William and Mary can stand tall with the history and tradition that it has in back of it. And like William and Mary, intelligence has a great deal of tradition. It really goes back to our founding father and first President, George Washington, who was really a master spy. He was [words unintelligible] to stay behind operations. He was a master in agent deception, made great use of propaganda. I won't say whether he did that during his wars or during his political

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life. But he realized the value of intelligence, and, in fact, in 1971, [sic] wrote a letter to a Colonel Clayton saying that the necessity for the procurement of good intelligence is so obvious it need not to be urged further.

Unfortunately, the United States did not heed the warning and the council of its first President and let intelligence wane considerably over the years. And we paid the price for that in World War II with the surprise attack on Pearl Harbor. And it was that attack that certainly was in the back of the mind of President Harry Truman when he urged the formation of the Central Intelligence Agency, resting on the structure that General William Donovan built for O.S.S. during World War II when Donovan reached out across this country, brought into the intelligence fold academicians, bankers, lawyers, teachers, people from all walks of life to form the core that not only could conduct operations, could collect intelligence, but could also properly analyze it. And Donovan was also clever enough to attempt to win the war through intelligence, and he was also clever enough to try to win the peace. And he built the foundation on which the CIA that exists today stands.

There are some in Boston who'll say that the real early warning in this nation came with Paul Revere when he said "One if by land and two if by sea." And then he took off on his horse. There are also historians who will say that the government finance officer, after Paul Revere made that fateful ride and submitted his travel voucher, disallowed it because he was on a government horse.

Well, you taxpayers should feel quite pleased that that same finance officer is in the government today.

I had the occasion, when we speak of tradition and the foundation of intelligence, to hear one of your colleagues, who obviously was a historian, comment to me that Tom Jefferson came to this college many years ago, but flunked out and went over to the University of Virginia. I don't know if history will really bear him out. But that whole tradition of Colonial Williamsburg and William and Mary certainly goes hand in hand with where we stay in intelligence. But the intelligence, as we know it today, is a little different. In fact, it evolves very quickly and very rapidly.

Right after World War II we were faced with a man-to-man defense against the spread of communism. We did our utmost to fend off the Soviets, give a chance for the Marshall Plan to rebuild Western Europe. And then we realized that the Soviets were up to something else, and we had little visibility into what was going on in the Soviet Union because of the Iron Curtain.

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President Eisenhower called together key industrialists, technicians, scientists throughout the country, formed a technological panel and asked them to address the problem of intelligence in the United States. The recommendation of that panel was the construction of the U-2 program. And that was certainly a marvelous article which went from drawing board to first flight in nine months; and a year later we were overflying the Soviet Union. And that opened tremendous visions. It certainly brought to the realm of intelligence the word technology and technical intelligence. And intelligence has certainly evolved over the years since then as we become more and more sophisticated. But the problems set for intelligence also became more and more sophisticated.

Today we see that it's not just technology any more that we have to worry about, nor is it the age-old political problem of who's going to be -- what person's going to win an election, or what coup will happen when. We have to keep a vigilant eye not only the Soviet Union and its tremendous military build-up, a country that this year is spending the equivalent of 14% of its gross national product on defense. We wonder how do they do that. How does a country which is only growing at 1 1/2% able to stomach that kind of military expenditure?

So we look to their political leaders and wonder what will happen when Brezhnev goes. We're clever enough now not to try and predict when Brezhnev's going to die, since we buried Mao at least 20 times before he finally died. But we wonder who will replace Brezhnev. Will it be Andropov, Kirilenko, or Chernenko? Or does it really matter? I don't think it does matter. We have to exert a great deal of our intelligence energies worrying about the Soviets, worrying about their military, worrying about their political ways of life, and now, today, worrying about the economy and what that economy will drive the Soviets to do.

And against this background of worrying about the Soviets, look what else is taking place around the world that our policy-makers demand to know about: the Mideast, and not only the age-old Arab-Israeli conflict; what is happening in Iran-Iraq; what will the Soviets do, might they do in Iran; what are they doing in Afghanistan and what is their goal there; the problems facing the emerging nations of Africa; what is happening to the strategic metals that exist there. And again look right out in our backyard, in Cuba, and what Castro communism is doing in Nicaragua, in El Salvador, and the effort by the Nicaraguans and Castro to spread that throughout Latin America.

And against this regional backdrop, turn and look at what is happening throughout the world with the simple act of terrorism, something that really isn't new to us, but is cer-

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tainly getting a lot of attention.

Ten years ago, only 48 nations had to worry about terrorism. Today, we've had acts of terrorism in 91 nations. In the last ten years, 12,000 people have been killed or injured by acts of terrorism. And today we see U. S. persons targeted by terrorists, not because they happen to be at a bus stop or a train station, but because they're Americans.

And then we have the problem of narcotics, a problem that measures, by best standards, \$50 billion a year, and some will estimate that \$80 billion a year flowing into this country. And how do we stop that? Where is it coming from? Who are the key players that are causing it?

And against all of this, we look around and we say the United States is no longer the leader technologically, in all phases, in all aspects of science. We saw the Japanese challenge us quite adequately in Detroit with their cars. They put us on notice that they're going after the computer market that we own. We see them already into the large-scale integrated circuits and microchips. We have Europe now emerging as a competitor, technologically. And what happens to the U. S. when it loses those kinds of markets?

We estimate that one percent of unemployment costs us about \$25 billion a year in gross national product. And how much can we tolerate of losing these sort of markets?

Of course, as you worry about economics, you have to think of energy: where is the oil going? When will we run out? Are there adequate gas reserves? What are the alternatives?

In thinking economics and thinking technology, one has to worry what is happening with technology transfer. We have the Soviets who are not only getting our equipment through legitimate trade; they're also acquiring it through illegitimate trade; but, more importantly, getting it through clandestine operations in this country, where they can get the plan for our C-5A aircraft before it even flies, where their Atoll missile is nothing more than a Chinese copy, if I can use the word, of our Sidewinder; where their AWACS radars, laser range finders -- you name it -- all come out of U. S. technology. Somehow we have to interdict this flow of technology to the Soviets because it's causing us to have to build weapons systems to fight our own technology employed by the Soviets in weapon systems.

So as you can see if you want to stand back and look at that litany of problems to realize that intelligence is indeed a growth industry, and we have a considerable amount to do before us in order that we can provide our policy-makers with the kind

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of intelligence they need.

One thing that I've always taken great satisfaction in is that my experience as a waiter prepared me for this job in intelligence. As the policy-makers every morning will ask me "What's new in intelligence?," I can always say "How would you like it -- sunnyside up or over easy?"

Thank you very much. I come from the school of thought that says the only thing worse than giving an after-dinner speech is listening to one. So I'll be merciful to all of us. Thank you.

[Applause.]

CHAIR: ...sip of water, I'll tell you that he has agreed to field questions that you might want to ask. And I'll take the liberty of saying what he didn't ask me to say, which is that there are no bad questions, but there are some questions that may not draw good answers. If you ask him something that's too sensitive, he may not tell you. But please feel free to ask. He's very kindly agreed to field questions.

McMAHON: Yes, sir.

Q: During World War II, I was with the Navy Department, and I did audits on the Carnegie Institution of Washington. And one of their divisions at that time was giving their scientific information to Russia, which I did not understand and reported it to Admiral Fallwood. But he said we'll let naval intelligence take care of it. They never did, of course.

However, I could not understand why our scientists wanted to give them information that we were developing and they were not returning any to us. They said we have a reciprocal agreement, but it was a one-way street.

Is that still going on?

McMAHON: Well, no, it's not going on, because what we've tried to do is through the voluntary agreement that the United States has with other Western nations called COCOM (?), there are self-imposed restrictions on the types of technology that can flow to the Soviet Union.

But at that time, the Soviets were our allies, and the first order of business at that time was to beef up the Soviets so they, in turn, could put pressure on the Germans, and later on the Japanese. Unfortunately, those days are long over -- long over with, and we realize that we were instrumental in creating quite a tiger that we now have to live with.

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Yes, sir.

Q: You touched on the....

[Question inaudible.]

McMAHON: No, it's a fair question.

Q: What can we do to try to put pressure on a country such as Turkey by trying to withdraw aid to them? We do help these countries and other countries like Turkey....

McMAHON: Yes.

Q: ...But the important thing to stop drugs is to stop the source.

McMAHON: That's absolutely correct.

Q: And I'm just wondering if our government, not necessarily your agency, is able to do something. I know that Senator Moynihan is trying to get into the Congress some effort to get the United States, the U. N., other countries to stop the production rather than try and stop it from getting into New York City and other cities.

McMAHON: Yes. The key to our effort is to try and identify how the drugs flow, where they flow from, who the key players are, so that we can first diplomatically take efforts through the Department of State to encourage that the government, the local government, crack down on the individuals or the mechanism.

As you well appreciate, a good many governments have a hand in it, literally and figuratively. And what the U. S. is trying to do in those cases is to offer an alternative to the country where -- since it is a cash crop to a lot of countries, offer an alternative of some other crop, and the U. S. will go in and help build the program.

As a counter to that has been eradication. And like we've encouraged the Mexicans to undertake programs of eradication.

But quite recently the President himself has called out for the U. S. to energize itself against this problem. And we do -- we see -- I'm sure we'll see efforts on the drug producing nations to feel the heat diplomatically, and whatever, from the United States.

Yes, sir.

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Q: The recent elections indicated that the country as a whole might be -- might put pressure on the administration for a nuclear freeze. And this apparently is not what the administration stands for right now.

Would you comment on that, please?

McMAHON: Let me comment. The word "freeze" sounds so good. It's like a motherhood term -- let's all stop doing something, and then it won't get any worse. What a lot of people fail to recognize is taking a look at the nuclear programs of the United States and the Soviet Union, take a snapshot, it's like a race, and the Soviets are almost to the finish line, and we're halfway there, and someone says "Okay, freeze; let's all walk to the finish line from here." And that is what's wrong with the freeze situation.

Yes, sir?

Q: I have a question in reference to our nuclear defense policy. I was at one time on a general staff of Nuclear Defense Command for Europe. And right after I left William and Mary, I went to Europe to join the Nuclear Defense Command. I was pretty happy till we played a war game. It was called WINTEX (?) '76, I believe it was. And in the war game we lost the war. And it was supposed to be a realistic reenactment of America fighting the Soviets. And the whole plan was [word inaudible] because of the massive Soviet troops in Europe. There was no way that we could defend it with our very small number of troops there. We wanted to wait until the troops were reinforced from the United States. But they had to land in Europe. And one of the first Soviet moves was just to drop a bomb over our airports there in Europe, and there were no reinforcements, and we lost. And they said "Sorry, keep the faith; keep fighting."

And that kind of concerned me. [Words inaudible.] I have heard through the grapevine -- I don't know if it's accurate or not -- that during the recent fighting in Lebanon, it was discovered there were large caches of Soviet weaponry stationed not far from the Israeli border. So it's obvious more sophisticated and could handle more troops than any of the Near East/Middle Eastern countries could stage [sic], and that it was obvious the Soviets had for a Soviet invasion of Israel, wiping out our one remaining ally [sic].

And I wanted to know if you could say whether it's true, one, that they found weapons in such excess there in Lebanon, and, (2), in your opinion, is a Soviet invasion of Israel, our last ally, almost imminent?

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McMAHON: As far as the caches are concerned, I don't think we've verified completely the extent of the caches. I don't think the word "sophisticated equipment" goes with it, because there aren't many sophisticated people there training to handle what you'd call the Soviet sophisticated weapons. And I think there's been an exaggeration on the extensiveness of those caches. And I don't know of any plan that's imminent about the attack by the Soviets on Israel. I don't think they'd be that foolish.

Yes, sir?

Q: How do you feel about the media and the liberals [words inaudible] El Salvador? [Rest of remark inaudible.]

McMAHON: I won't editorialize my answer like you editorialized your question.

The difficult thing in Salvador, which is true of any effort by a government against guerrilla insurgencies, the guerrillas can pick their place, they can pick their time, and a few guerrillas can tie up a number of government troops.

I would say that if we don't have -- well, I'd say we have a situation there where at least the government can sort of function. But we suffer highs and lows of guerrilla activities. And right now we're going through a high period where the guerrillas are very active. Then the government forces, mobilized, move against them, neutralize the area, usually capture some arms and guerrillas. Then the guerrillas will go underground to refurbish themselves with supplies and then attack again.

The situation in El Salvador, other than just the guerrilla one, also requires an economic recovery. And that I think is the most difficult thing because a guerrilla situation doesn't encourage investment. What the U. S. is trying to do is stimulate, through aid and through outside investment, El Salvador to grow and grow by itself so that the people won't turn to the guerrilla type of activity.

Yes, sir?

Q: We've been using the analogy of the....

[End, Side 1.]

Q: ...every race has a terminus. If that be the case and using how you worked it out before, the running or the walking to the finish line. are we to assume that it's the belief of the administration and all agencies, intelligence agencies, that whoever gets to that finish line first is going to do some-

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thing about being there first, like war?

McMAHON: Yeah, I hope not. I hope what we can do is have an arms agreement that really works. One thing you don't want to do is move rapidly into an arms agreement where, as you begin to cut down, the one who's behind is at a disadvantage to start with very quickly. And that's why I think we look for a balance of arms first before the reduction.

But you're absolutely right. I think arms reduction is the answer for the Soviets and ourselves. But not to mention that there is proliferation of nuclear weapons elsewhere in the world, and that's something that we also would have to keep our eyes open to. Technology is rather available worldwide.

Yes, sir?

Q: My wife is going to say that I ask impossible questions. But....

[Rest of question inaudible.]

McMAHON: Yes. It's a process that filters through the entire government. The intelligence not only flows daily, but we also have the mechanism for making assessments which suggest what does all this daily intelligence mean and where is it going. And we put the latter form out in the form of estimates. We'll take a look at a given country or a given situation and say "Here is what's happening, and this is where we think it's going, or here are several courses that it could take."

And that flows not only through the various departments of government, whether it's State Department or Commerce or Treasury or Defense, or what have you, but also to the National Security Council. And the National Security Council does meet often, sometimes several times a week. And they're addressing not only a given crisis or a given situation, or the decision-making point, which is the culmination of intelligence that has been fed in over a certain time period. Or they're just addressing a long-term look of what should our policy be for the next -- given the next years, whether it's two years or five years, or what have you.

And our purpose in life, in fact Bill Casey's desire, is to get the intelligence out in a fashion, in a timely fashion, so that the people making policy, even if they don't like the intelligence, at least have to kick it aside. If we don't have it out on the table, then they can ignore it because it's not there. But if we put it out on the table, then there has to be a very willful act for someone to postulate a policy that isn't in synch with the best intelligence that the United States can offer. And

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that happens daily. That process just goes on 24 hours a day.

Yes, sir?

Q: Are we winning?

McMAHON: I think the United States has a lot of work to do. Its position in the world has suffered over the years. It suffered not only in the size of the military; it has suffered in the size of its intelligence capabilities. It has suffered in the economic power that it had throughout the world.

So if you add up the box score of where we are today versus where we were years ago, you'd have to be an optimist to say we're winning. That doesn't mean you're losing, however, because you can take steps to rectify that. And I think you see the rebuild in the intelligence community taking place over these past two and three years, and you see the effort by the President to rebuild the defense establishment. So that rebuilding process is taking place. You have the Commerce Department and Treasury Departments very active and very concerned about technology and the technology transfer. We're concerned about the bonanza that our Western allies gave the Soviets with this pipeline for gas. And I think we have to do more. But that doesn't mean we're losing.

Yes, sir?

Q: [Question inaudible.]

McMAHON: Well, it's not a question of just overkill. It's a combination of factors, which include what are the targets? How strong are their targets? Where are they located? How many weapons does it take to put out one of those targets? Etcetera, etcetera. And this is why you see the United States right now going through a very deliberative process trying to identify the MX deployment, where, how, what configuration, and what factors have to be put into that.

So it's not just a simple equation of overkill or not overkill. Certainly there's a great deal of destruction available by both sides. But the question is, can one side strike and neutralize the other side completely, or will the other side have enough capability to make that first strike undesirable. Those are the key questions.

Yes, sir?

Q: Mr. McMahon, I visited South Africa recently, and I was impressed. But I'm curious to know what the intelligence community feels of the strategic position of South Africa in

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relation to the African continent and as far as their material. You mentioned earlier Africa and....

McMAHON: Yes. Of course, a lot of the attractive materials that South Africa has is gold and diamonds. They certainly are strategically located geographically by the sheer nature of their existence. But South Africa has a very difficult problem internally. And I think it's something that they have to recognize, that this is one thing that the United States has done, and I would encourage all the nations of the world to emulate it, and that's the dignity of an individual. And I think that's what makes the United States great, and I would like to see every nation great by offering the dignity of every individual.

John?

MAN: John, I think it's been said that you can point to a corporation and say that corporation has a great public relations program; it doesn't have a good public relations program, because it's been obvious that it's been orchestrated, and so on.

Your organization is in the unfortunate position of not being able to defend itself or to develop public relations, and so on. And so frequently over the years you've been attacked, or your organization has been attacked, because of your failures. And yet we never know of your successes, which I think is appropriate.

As a career officer of your agency, how do you now feel your agency sits with our people? And what is the prognosis?

McMAHON: Well, I think that the people of the United States were the first to recognize that the United States needed a strong, viable and honorable intelligence organization. And it was really the people of the United States that put pressure on Congress several years ago to start the rebuild of CIA and to get off its back.

That pressure from the people is really manifested in our oversight committees, the Senate and the House Select Committees on Intelligence. These committees are extremely responsible. They realize the awesome confidence that has been placed in them not only by the people of the United States and the Congress of the United States by having them oversee our secrets, but they're also responsible in realizing that they want to have intelligence organizations that can do the job.

The biggest problem with intelligence is that it's best known in its absence. And what Congress is interested in doing, at least the committees that we've been fortunate to be blessed

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with -- they want to build a strong and effective intelligence program. And I find that that's very healthy. It's not only healthy for the American people at large, but it's healthy for the intelligence institutions.

I take a great deal of satisfaction in knowing that representatives, your representatives, know what I'm doing and approve, so that five or six years from now when operations are long over with and people might start questioning why did we ever do that, it won't be just John McMahon or Bill Casey standing tall to say why we did that. We have two committees of Congress that can share that limelight.

And so I take a great deal of satisfaction....

[Laughter and applause. End of Q&A.]

CHAIR: I'm happy to be able to tell you that your board just took advantage of the advance intelligence we had about Mr. McMahon. And knowing that he was indeed one of us, an ex-waiter, we prepared a suitable plaque, which will be accompanied by a certificate of honorary membership. And John, we take great pleasure in presenting this to you.

[Applause.]